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GENERAL SERVICES  
DEPARTMENT

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Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

**From:** City of Tucson  
General Services Department  
4004 S. Park Ave., Bldg. 1  
Tucson, AZ 85714

**Re:** APS EPS Credit Purchase Program, Docket No. E-01345A-05-0373

Dear Sir/Madam:

The City of Tucson would like to comment on the above referenced docket, specifically the November 21, 2005 filing from Mr. Justin H. Thompson of APS. This November 21, 2005 filing revised Exhibit A to their May 25, 2005 filing. The City of Tucson is offering comments because it is felt that this revised exhibit A may serve as the framework for a future statewide Uniform Credit Purchase Program (UCPP) for the Environmental Portfolio Standard (EPS).

The City is supportive of a statewide UCPP. Uniformity across the state and among utilities would ensure certainty to owners and eliminate much of the staff time required to negotiate with utilities for renewable energy projects.

The City is in general support of the program as APS has presented it in their November 21, 2005 docket filing, with the following comments:

The UCPP should include other renewable energy sources such as hydro, wind and landfill gas generated energy.

A production-based incentive is highly desirable. The City suggests that the UCPP also include a uniform amount per kWh of production. The UCPP should be applied to the production-based incentives for photovoltaic (PV) and other renewable energy systems, whereby a set incentive figure (cents per kWh production) is defined, similar to the APS proposal for large solar water heating and solar HVAC systems. Negotiating for a production-based incentive for PV and other renewable energy systems is not consistent with a UCPP program.



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An annual cap on the amount of the incentive payout to a single customer should not be implemented. Affected utilities do not cap their own projects so it seems unreasonable to cap payouts to ratepayers who are bearing the cost of the EPS. The City suggests that if a customer has the need for an incentive payout of over a certain limit, the customer could seek a higher payout if it is in the public interest. Utilities have argued that larger projects are more cost effective than smaller ones. The same argument can be applied to single customers installing large distributed systems. A few large systems will be much easier and cost effective for the utilities to monitor and keep track of. The City understands the desire of all parties to allocate funds to many different projects and customers; however, public entities often have properties that can house large systems and their systems are beneficial to all ratepayers in the community. An arbitrary limit on the ability of customers to implement large distributed generation programs is not desirable.

As a compromise, the City would suggest the following language instead of imposing an arbitrary cap in the annual incentive payout for an individual customer:

The total annual benefit to any one customer is limited to \$500,000 unless authorized by the ACC. The customer must submit his proposal to the ACC for consideration. The ACC will consider increasing the annual benefit based upon the project cost effectiveness, the customer's previous track record with projects (including experience with constructing and maintaining the systems), the amount the customer contributes into the EPS, and benefits to ratepayers will be used to determine if authorization is given.

Incentives should not be allowed for off-grid applications. Renewable energy systems are often cost effective in off-grid applications, so the need for incentives is removed in those situations. Off-grid applications do not help the grid. Living off-grid is a conscious choice that customers make and ratepayers should not subsidize those types of choices. Off-grid renewable systems benefit relatively few people.

The third party ownership option as outlined in the APS proposal is desirable.

Solar water heating systems should specifically include the replacement of natural gas fired system loads with solar energy. Considerable benefit to the state can be realized through replacement of natural gas water heating loads with solar energy. Electric water heaters are not common for large water heating systems; therefore, solar energy offsets for electric water heating would likely see limited penetration. An incentive for large solar water heating systems to offset natural gas loads could make them cost effective and be a way to increase the EPS percentage from solar very quickly. Reducing natural gas demand is also highly desirable in the state.

Utilities should bear the cost of any auxiliary equipment required for their needs and not required for interconnection or energy production, such as weather stations and other types of data collection equipment and on-going monitoring.

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The City appreciates the Commission's leadership in supporting renewable energy development and the City will continue to support the ACC's efforts.

If you have any questions, please contact Vinnie Hunt at (520) 791-5111, ext. 311, or [vinnie.hunt@tucsonaz.gov](mailto:vinnie.hunt@tucsonaz.gov).

Sincerely,



R. C. Lewis, Director  
General Services Department

RCL:VH:kp

Original + 13 copies of the foregoing filed to Docket Control on December 13, 2005

c: Ray Williamson - ACC Staff  
Mayor and Council  
Mike Hein, City Manager  
Mike Letcher, Deputy City Manager  
Vinnie Hunt, Energy Manager